

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6404

BILL NUMBER: SB 163

NOTE PREPARED: Jan 17, 2005

BILL AMENDED: Jan 13, 2005

SUBJECT: Goods Made by Offenders.

FIRST AUTHOR: Sen. Jackman

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides that wooden furniture produced by persons in state penal institutions may be sold only to state agencies, political subdivisions, and institutions of higher education.

Effective Date: July 1, 2005.

Explanation of State Expenditures: (Revised) The Department of Correction reports the following net sales and employment for FY 2003 and FY 2004.

PEN Products Furniture Net Private Sector Sales and Employment				
	FY 2003		FY 2004	
	<u>Net Sales</u>	<u>Offenders Employed</u>	<u>Net Sales</u>	<u>Offenders Employed</u>
Office Furniture	\$ 39,000		\$ 32,000	3
Detention Furniture	-		\$ 7,000	
Hickory Furniture	<u>\$448,000</u>	<u>27</u>	<u>\$600,000</u>	<u>42</u>
Totals	<u>\$487,000</u>	<u>27</u>	<u>\$644,000</u>	<u>45</u>

Restricting sales to governmental agencies would result in lost jobs for offenders, requiring corrections officers to spend added time supervising offenders who would then be idle. The Department of Correction (DOC) estimates that this bill would eliminate at least 42 offender jobs.

Explanation of State Revenues: (Revised) This bill is estimated to result in a loss of a minimum of \$600,000 in net sales revenue based on FY 2004 activity. Sales revenue is deposited in the Industry and Farm Products Revolving Fund.

For purposes of this estimate, the definition of “wood furniture” is restricted to hickory furniture, including tables, chairs, beds, and case goods. Some office furniture including chairs, panel systems, free-standing office furniture, tables, lounge seating, and dormitory furniture could be affected by this bill, depending on the total wood component in the furniture.

Prison Investment Tax Credit: This bill would effectively reduce the amount of Income Tax credits taken under the Prison Investment Tax Credit. The current tax credit is allowed for investment in qualified property or wages paid to inmates as approved by an agreement with the Department of Correction. The credit is limited to the lesser of (1) the taxpayer’s tax liability; (2) the sum of 50% of the investment in qualified property plus 25% of wages paid to inmates; or (3) \$100,000. A reduction in the tax credits will increase revenue to the state General Fund and Property Tax Replacement Fund.

Under IC 11-10-7-5, the earnings offenders receive from these enterprises are distributed in the following order:

1. At least 20% of the offender’s gross earnings is either given to the offender or retained in an account to be given to the offender at time of release.
2. State and federal income taxes and social security deductions.
3. Room and board expenses.
4. Support of dependents of offenders.
5. 10% of the offender’s gross earnings to be deposited in the Violent Crime Victims Compensation Fund.

DOC indicates that all 42 offenders are paid under the IC 11-10-7-5 program which qualify for the Prison Investment Tax Credit. The range of their pay is between \$5.15 and \$9.74, depending on their skill level and their job title.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Correction.

Local Agencies Affected:

Information Sources: Tim Brown, 234-0323, Department of Correction.

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